



State Energy Strategy Update/2002 Biennial Report

# Background and Issues

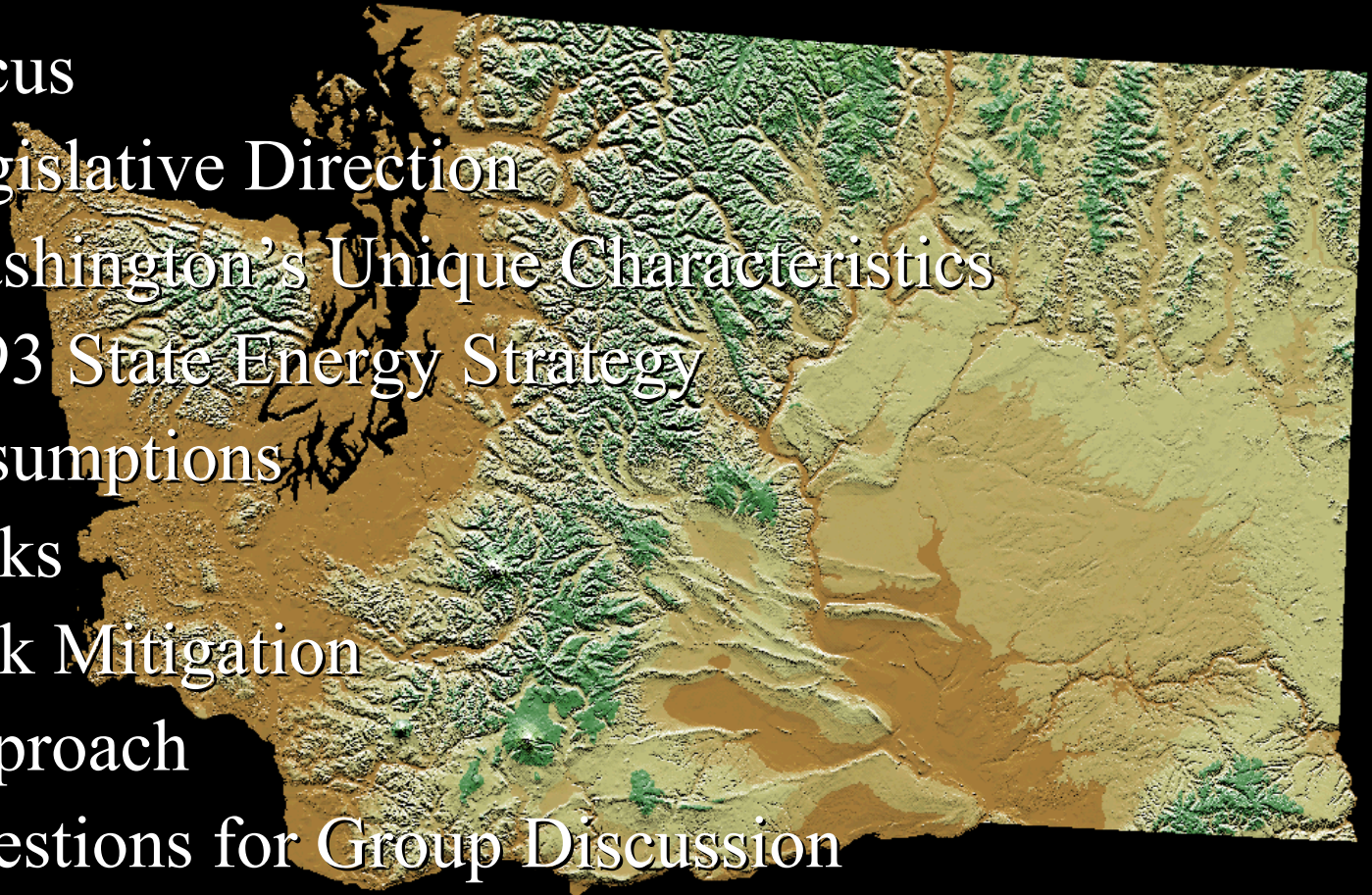
Advisory Committee Meeting #1

June 21, 2002



# Outline

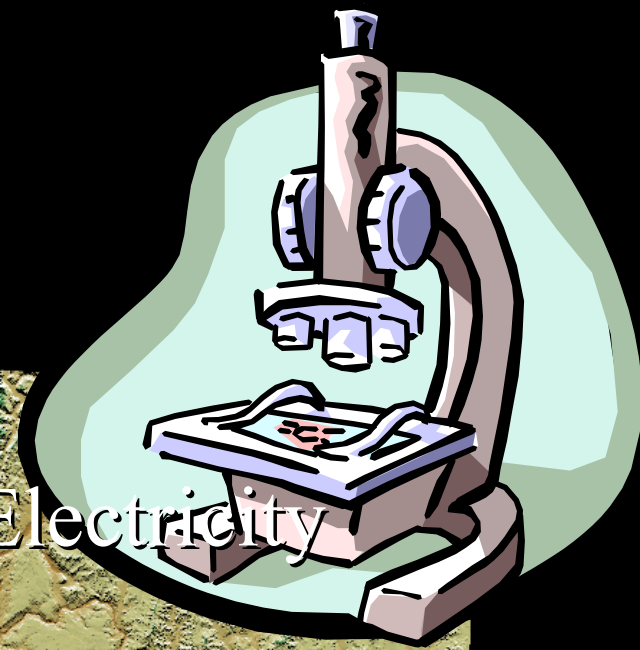
- Focus
- Legislative Direction
- Washington's Unique Characteristics
- 1993 State Energy Strategy
- Assumptions
- Risks
- Risk Mitigation
- Approach
- Questions for Group Discussion






# Focus

- Electricity Issues
- Natural Gas Issues Related to Electricity
- Executive Branch Document
- Issues Specific to Washington State (don't duplicate the Power Council's regional plan)
- A Few Short Term Actions
- Durable Long-Term Policies
- Building on Existing Policies ('93 SES)





# Directions from Proposed Legislation SHB 2637

- 
- Identify methods to create new electricity capacity
  - Identify obstacles to and incentives for new generation and transmission (in a hydro environment)
  - Identify methods to encourage demand management, distributed generation, energy efficiency, conservation
  - Improve coordination between state and regional planning
  - Identify strategies and options to reduce greenhouse gas emissions from state government activities





## Guiding Principles

1. Implement all **cost-effective energy conservation**
2. Implement cost-effective energy policies that **minimize environmental damage**
3. Use sound **scientific data and analysis** as the basis for energy policy.
4. Foster mutually **beneficial relationships with nearby states and provinces** to help accomplish Washington's energy goals.
5. **Use market forces**—including fair competition and consumer choices—where possible, along with clear, fair rules and laws to accomplish our objectives.
6. **Respond creatively and prospectively** to political, social, and environmental changes effecting the use and supply of energy.



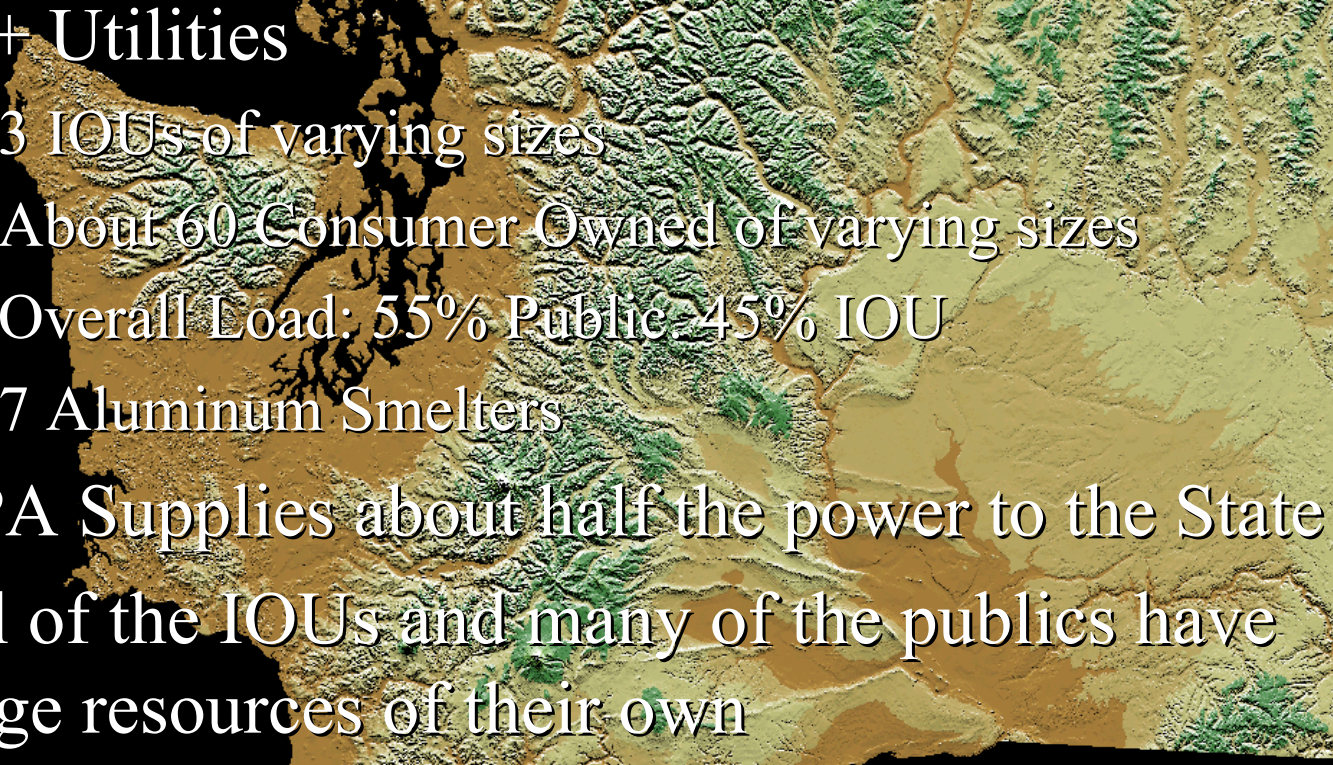


## Guiding Principles (continued)

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7. **Respond creatively and prospectively** to political, social, and environmental changes affecting the use and supply of energy.
8. Maintain programs that ensure **all citizens**, including those on small incomes, **have access to such basic services** as heating, lighting, and mobility.
9. **Lead by example** with energy efficiency in state and local government operations.
10. **Cultivate diversity in energy supply**, including new technologies and renewable resources such as wind, geothermal, hydro, biomass, and solar technologies, where a modest initial investment can help develop cost-effective resources.
11. Ensure broad participation by the state's citizens in the Strategy and provide **information and education** to enhance understanding.




# Electricity in Washington

- 
- 60+ Utilities
    - 3 IOUs of varying sizes
    - About 60 Consumer Owned of varying sizes
    - Overall Load: 55% Public, 45% IOU
    - 7 Aluminum Smelters
  - BPA Supplies about half the power to the State
  - All of the IOUs and many of the publics have large resources of their own
  - About 70% Hydro



# Uniqueness of WA

- 
- CA, OR, ID, MT, NV, UT
    - 75% or more IOU service
    - 1-3 Dominant Utilities
    - Commission plays dominant role in electricity regulation and policy
    - Transmission is mostly owned by IOUs
  - WA
    - 45% IOU
    - Decentralized
    - Commission plays important but not dominant role
    - Transmission is mostly (80%) owned by BPA

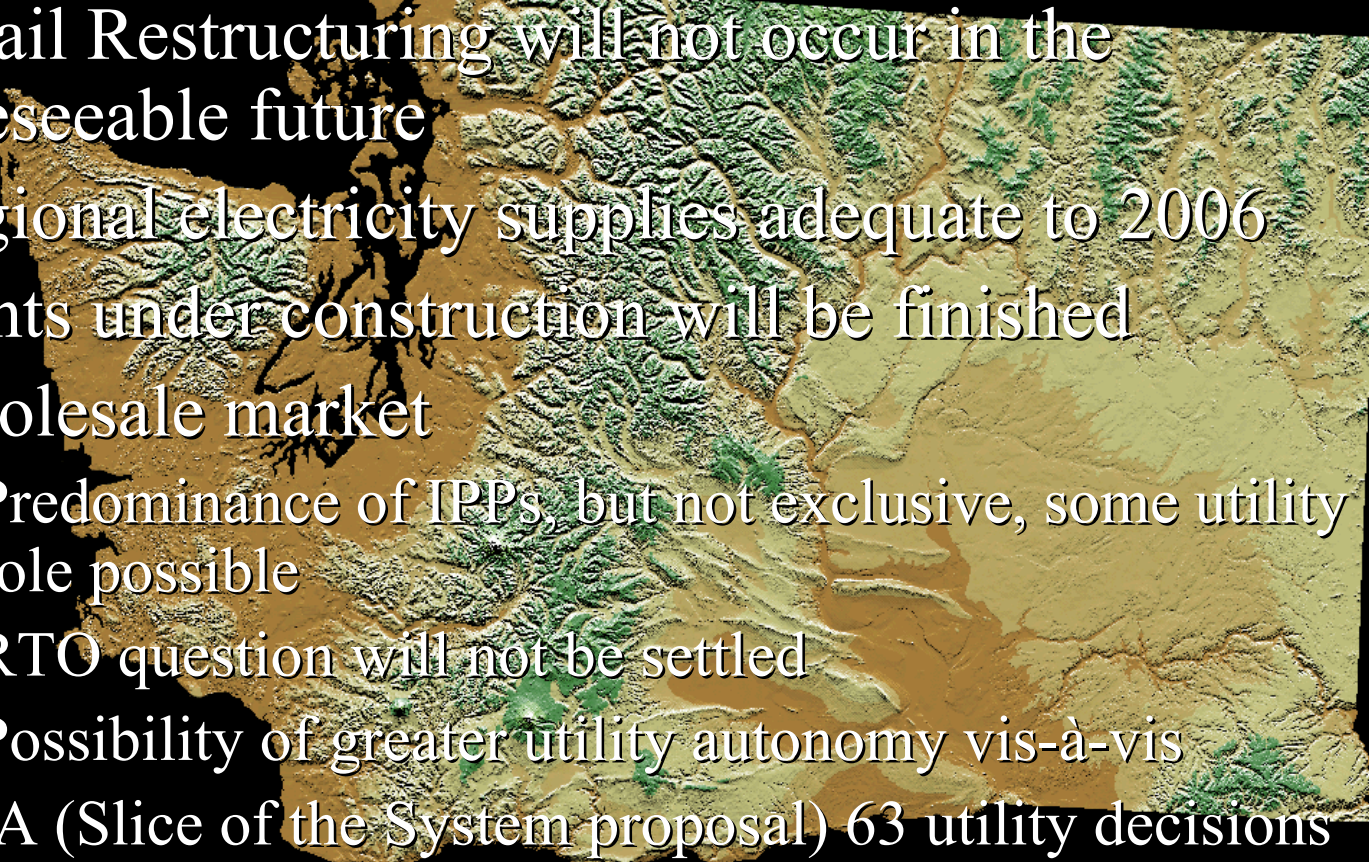


# Implications

- In other states, electricity policy means IOU oversight; in WA, electricity policy means bargaining among electric utilities
- In other states, utilities develop their own resources; in WA, BPA's role in resource development has been dominant
- In other states, generation resources are tied to utilities own customers loads; in WA, some utilities have resources solely to sell on the market.
- RTOs may make some sense for other states;



# Assumptions

- 
- Retail Restructuring will not occur in the foreseeable future
  - Regional electricity supplies adequate to 2006
  - Plants under construction will be finished
  - Wholesale market
    - Predominance of IPPs, but not exclusive, some utility role possible
    - RTO question will not be settled
    - Possibility of greater utility autonomy vis-à-vis BPA (Slice of the System proposal) 63 utility decisions
    - Continued market volatility (how much?, how long?)



# What Role Can the State of Washington Have in Shaping Our Electricity Future ?






# What Role Should Washington State Play?





# What Risks Do We Face?

- 
- Supply Inadequacy (Energy, Capacity)
  - High Electricity Prices
  - Volatile Electricity Prices
  - Transmission Inadequacy
  - Reliance on Natural Gas Generation
  - Environmental Impacts (GHG, Local Impacts)
  - Mixed Market-Signals/Environment



# What are the Best Ways to Mitigate Risk?

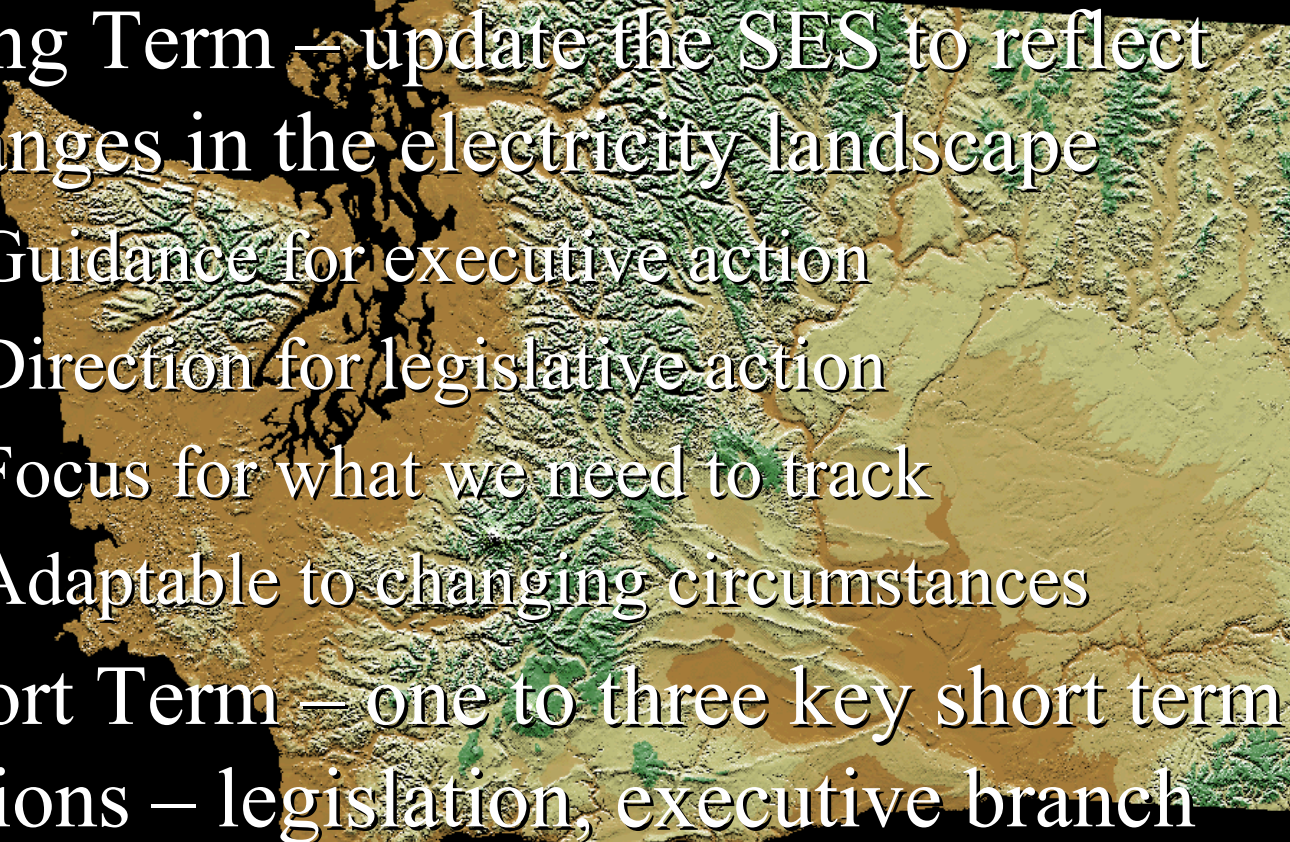
- Supply Diversity
- Demand Flexibility
- Federal Policy Actions
- Market Rules
- Market Incentives





# Long Term

# Short Term

- 
- Long Term – update the SES to reflect changes in the electricity landscape
    - Guidance for executive action
    - Direction for legislative action
    - Focus for what we need to track
    - Adaptable to changing circumstances
  - Short Term – one to three key short term actions – legislation, executive branch



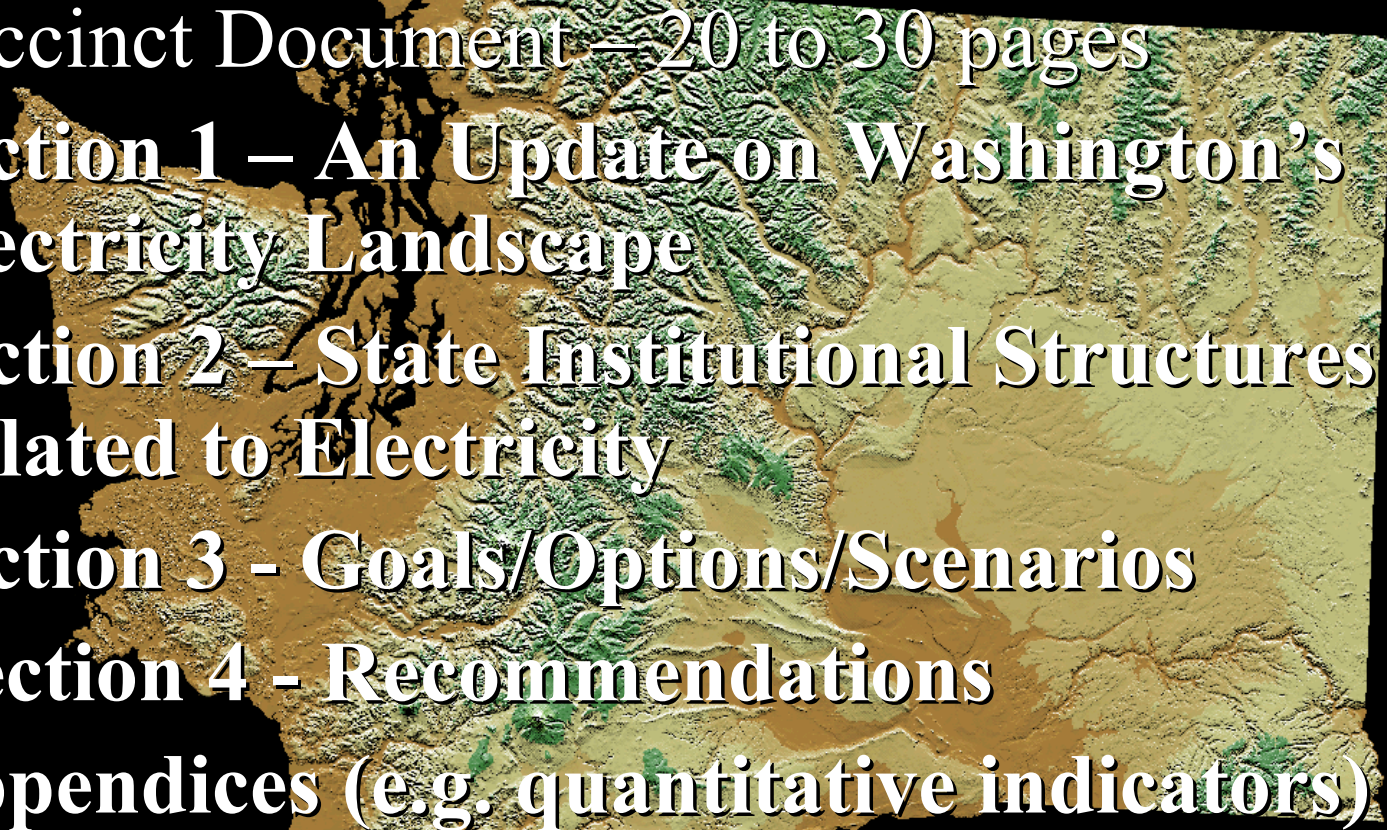
# Questions for the Committee

- What changes to **basic assumptions**?
- What changes to **guiding principles**?
- What are the key **short term issues** ?
- What are the key **long term issues**?



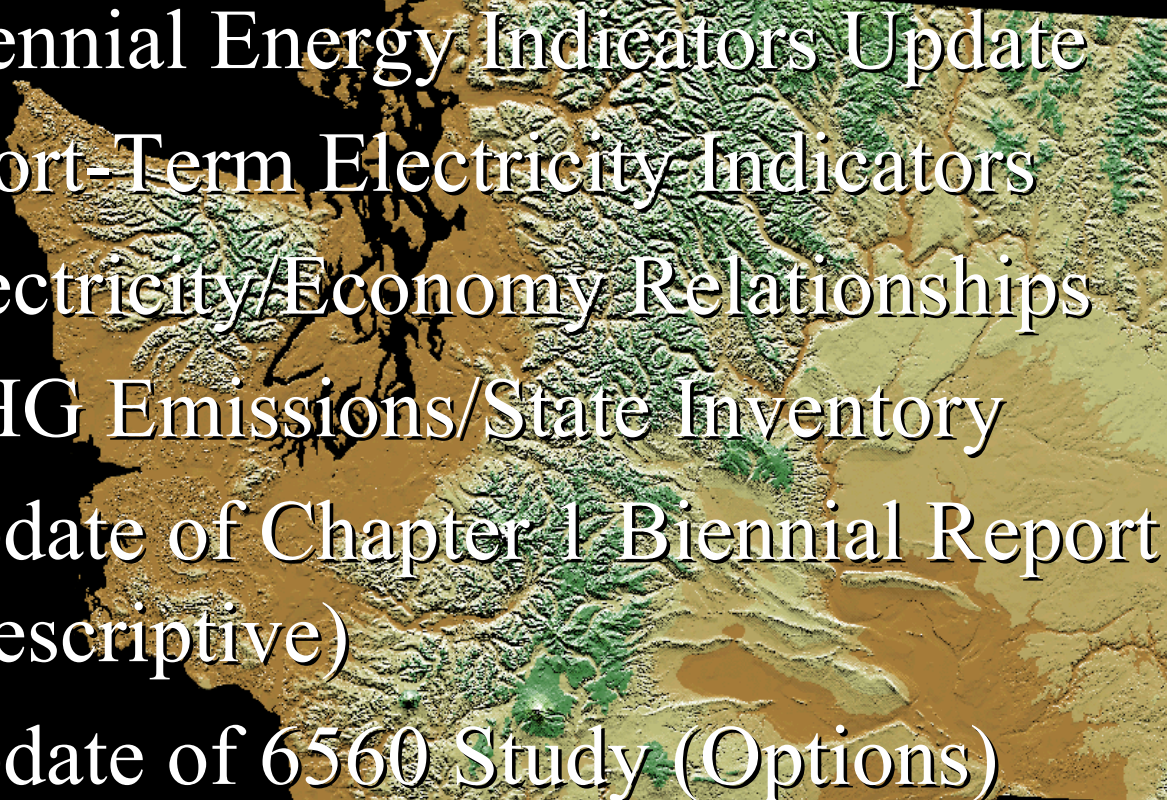


# Draft Report Outline

- 
- Succinct Document – 20 to 30 pages
  - Section 1 – An Update on Washington's Electricity Landscape
  - Section 2 – State Institutional Structures Related to Electricity
  - Section 3 - Goals/Options/Scenarios
  - Section 4 - Recommendations
  - Appendices (e.g. quantitative indicators)



# Analytical/Descriptive Info

- 
- Biennial Energy Indicators Update
  - Short-Term Electricity Indicators
  - Electricity/Economy Relationships
  - GHG Emissions/State Inventory
  - Update of Chapter 1 Biennial Report (Descriptive)
  - Update of 6560 Study (Options)



WASHINGTON'S  
**ENERGY**  
**STRATEGY**

